

THE BALDWIN COMPANY

Cincinnati, Ohio

ANNUAL REPORT TO SHAREHOLDERS SEVENTY-EIGHTH YEAR

April 7, 1941
CLEVELAND PUBLIC LIBRARY
BUSINESS DEPARTMENT
CORPORATION FILE

To the Shareholders of The Baldwin Company:

Sales for the year 1940 amounted to \$5,943,098.27 an increase of 17.3% over 1939. The net profit for the year 1940 after deduction of depreciation charges amounting to \$34,143.91, and provision for Federal Income Taxes amounting to \$259,700.00 was \$396,911.30, compared with earnings of \$326,669.06 for the year 1939.

Consolidated Balance Sheets as of December 31, 1940 and 1939 and Analysis of Surplus Accounts for the year 1940 are appended hereto.

On December 31, 1940 Total Current Assets amounted to \$5,020,701.05 and Current Liabilities to \$901,849.66, which is a ratio of 5.6 to 1. Principal changes during the past year in Current Accounts are as follows: Cash decreased \$70,963.34, Net Notes and Accounts Receivable, after provision for possible loss, increased \$467,180.29 and Net Inventories increased \$221,546.86. At the end of this year Notes Payable to Banks amounted to \$265,000 compared with no borrowings at the close of the year before. Immediately after the close of the year Bank Loans were reduced by \$100,000.00. Accounts Payable increased \$101,996.20 due to increased volume of business. Accrued Expenses decreased \$6,306.60, Provision for Federal Income Tax increased \$154,900.00 due to the increases in rate of tax and earnings. During 1940, \$171,412.23 was taken from Operations and added to the Inventory Fluctuation Reserve. This amounts to 10% of the inventory of raw materials and work in process of manufacture, and 5% of the inventory of completed pianos on our own floors and on sale with dealers, at the end of the year.

During the year 1940 the Depreciation Reserve for buildings, machinery, and equipment was reduced by \$35,162.75, which was credited to the Surplus Account. This was done, after an audit by the depreciation experts of the Federal Income Tax Department, in order to bring our rates of depreciation and Depreciation Reserve into agreement with amounts allowed by the Income Tax Authorities. With the prospect of steadily increasing income tax rates in future years, this change should be of advantage to the Company.

During the year 1940 regular dividends were paid on the 6% Cumulative Preferred Stocks and dividends aggregating \$1.00 per share were paid on the Common Stock. The net increase in Earned Surplus, after all charges, amounted to \$186,564.30.

Although the number of pianos shipped from our factories in 1940 was the largest for any year, with the exception of the years 1925 and 1926 during the peak of the player piano boom, the Company's total dollar volume of sales and earnings were much less than during those peak years. The reduced sales volume is due to the large reduction in the current average price of pianos sold to the public, compared with the average price fifteen years ago. The smaller earnings are the result of the smaller profit made on each unit.

Our factories during 1940 worked at practically full capacity. In order to even up production schedules between departments and thereby bring about increased output, an additional floor was added to Building G of our Cincinnati factories. Also additional dry-kiln capacity was constructed to permit us to dry on our own premises all the lumber we use. The cost of these two additions to plant was \$32,000.

So far during 1941 the demand for pianos is somewhat better than last year, and we have been able slightly to increase our current shipments over the same period of last year.

Naturally, under present national and international conditions the question is often asked as to what we are doing for national defense. The piano industry fundamentally is a woodworking industry, while today the work of armament for defense comprises practically no woodworking. We stand ready and anxious to do our share, whenever we are called and wherever we can be of the greatest help.

We continue to press our business aggressively forward, striving always for improved quality. Provided no unforeseen obstacles should arise, we can look forward to another satisfactory year.

Respectfully submitted,

LUCIEN WULSIN, President

THE BALDWIN COMPANY AND SUBS
CONDENSED CONSOLIDATED
AS AT DECEMBER 31, 1939

ASSETS	December 31, 1940	December 31, 1939
Cash in Bank and on Hand.....	\$ 219,411.63	\$ 290,374.97
Notes and Accounts Receivable—	\$4,023,442.11	\$3,384,067.82
Less: Dealers' Contingent Equities..	728,150.90	606,468.53
	<u>\$3,295,291.21</u>	<u>\$2,777,599.29</u>
Less: Reserve for Possible Losses....	667,676.57	617,164.94
	<u>2,627,614.64</u>	<u>2,160,434.35</u>
Inventories	\$2,424,235.63	\$2,031,276.54
Less: Reserve for inventory		
Fluctuations	250,560.85	79,148.62
	<u>2,173,674.78</u>	<u>1,952,127.92</u>
Total Current Assets.....	\$5,020,701.05	\$4,402,937.24
Plant and Equipment:		
Real Estate and Buildings.....	\$1,224,284.84	\$1,198,187.64
Machinery and Equipment.....	1,080,965.05	1,037,870.23
	<u>\$2,305,249.89</u>	<u>\$2,236,057.87</u>
Less: Reserve for Depreciation.....	1,450,308.27	1,470,076.34
	<u>854,941.62</u>	<u>765,981.53</u>
Other Assets	30,745.00	30,825.00
Deferred Charges to Future		
Operations	6,306.05	10,141.90
Total Assets	\$5,912,693.72	\$5,209,885.67

ANALYSIS OF CONSOLIDATED SURPLUS ACCO

Balances, January 1, 1940.....	
Add:	
Net Profit for year ended December 31, 1940.....	\$ 396,911.3
Discount on Preferred Stock purchased during year....	2,555.7
Adjustment of prior years depreciation on Buildings and Machinery.....	35,162.7
	<u>398,629.7</u>
Deduct:	
Dividends on Preferred Stock.....	\$ 103,033.5
Dividends on Common Stock.....	133,780.0
Additional Prior years Federal and State Taxes.....	8,696.2
	<u>245,510.7</u>
Balances, December 31, 1940.....	

AUDITORS'

To the Stockholders of The Baldwin Company:

We have examined the consolidated balance sheet of THE BALDWIN COMPANY and its subsidiary as at December 31, 1940, and the consolidated statements of income and surplus for the year ended that date; have reviewed the system of internal control and the accounting procedures of the company and, without making a detailed audit of the transactions, have examined or tested records of the company and other supporting evidence, by methods and to the extent we deemed appropriate.

In our opinion, the accompanying consolidated balance sheet and related statement of consoli-

IDIARY (The Baldwin Piano Company)
ED BALANCE SHEETS
AND DECEMBER 31, 1940

LIABILITIES AND CAPITAL	December 31, 1940	December 31, 1939
Notes Payable—Bank.....	\$ 265,000.00	0.00
Accounts Payable	291,932.54	\$ 189,936.34
Accrued Expenses.....	85,217.12	91,523.72
Federal Income Tax Accrued.....	259,700.00	104,800.00
Total Current Liabilities.....	\$ 901,849.66	\$ 386,260.06
Purchase Money Mortgage.....	40,000.00	40,000.00
Deferred Credits	190,574.69	118,976.29
Reserve for Contingencies.....	116,769.48	116,769.48
Capital Stock and Surplus:		
Capital Stock:		
Preferred—		
6%, Issue of 1901-1903		
Issued and Outstanding, 2,327		
Shares	\$ 232,700.00	\$ 232,700.00
Less: In Treasury.....	65,200.00	37,600.00
	167,500.00	195,100.00
6%, Issue of 1924, Series A,		
Issued and Outstanding, 20,000		
Shares	\$2,000,000.00	\$2,000,000.00
Less: In Treasury.....	457,800.00	411,900.00
	1,542,200.00	1,588,100.00
Common—		
Issued and Outstanding,		
133,786.6 Shares	1,070,292.80	1,070,292.80
Surplus:		
Capital	\$ 284,411.12	\$ 281,855.37
Earned	1,599,095.97	1,412,531.67
	1,883,507.09	1,694,387.04
Total Liabilities and Capital.....	\$5,912,693.72	\$5,209,885.67

UNTS FOR YEAR ENDED DECEMBER 31, 1940

Total	Capital Surplus	Earned Surplus
\$1,694,387.04	\$ 281,855.37	\$1,412,531.67
	\$ 396,911.30	
	2,555.75	
434,629.80		35,162.75
		432,074.05
\$2,129,016.84	\$ 284,411.12	\$1,844,605.72
		\$ 103,033.50
		133,780.00
245,509.75		8,696.25
		245,509.75
\$1,883,507.09	\$ 284,411.12	\$1,599,095.97

CERTIFICATE

dated surplus present fairly the position of THE BALDWIN COMPANY and its subsidiary as at December 31, 1940 and the result of their consolidated operations for the year ended that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CINCINNATI, OHIO,
April 3, 1941

MURPHY, LANIER & QUINN,
Public Accountants

OFFICERS:

Lucien Wulsin.....President and Treasurer
J. P. Thornton.....Vice-President
Philip Wyman.....Vice-President
A. J. Schoenberger.....Secretary
W. H. Smith.....Asst. Treasurer
C. W. Fessler.....Asst. Secretary

DIRECTORS:

Lucien Wulsin
Cincinnati
Wm. J. Rielly
Cincinnati
J. P. Thornton
Cincinnati
Philip Wyman
Cincinnati
Geo. W. Lawrence
Cincinnati

GENERAL OFFICES:

Gilbert Avenue, Cincinnati
Cable Address: "Baldwinco, Cincinnati"

PRINCIPAL SELLING OFFICES:

Cincinnati	Chicago	New York
St. Louis	Denver	Louisville
Pittsburgh	Kansas City	San Francisco

EXPORT OFFICES:

New York	Cincinnati	San Francisco
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SUBSIDIARY COMPANY

The Baldwin Piano Company